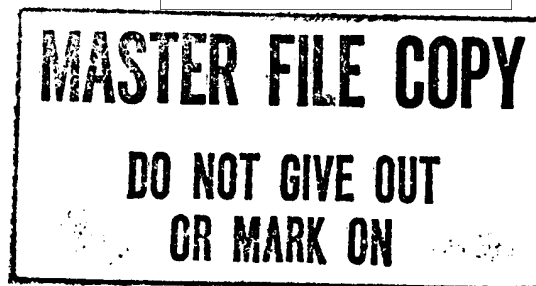


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INTERAGENCY INTELLIGENCE ASSESSMENT

3 June 1987

ASEAN: CHALLENGES FOR THE UNITED STATES

This Interagency Intelligence Assessment was prepared under the auspices of the National Intelligence Officer for East Asia. The Assessment was coordinated at the working level within the Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the Intelligence organization of the Department of State. Also participating were the Intelligence organizations of the Departments of the Army, the Navy, and the Air Force. Information available as of 2 June 1987 was used in preparation of this Assessment.

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SCOPE NOTE

The Intelligence Community's judgments on ASEAN were made four years ago in NIE 50-83, ASEAN: Prospects for the 1980s and Implications for US Policy. Among the key findings of that Estimate were that:

- ASEAN nations' prospects for political stability, economic growth, and regional tranquility were among the best in the Third World.
- The region would remain basically pro-US and anti-Communist for the foreseeable future.
- ASEAN economic growth would continue to outpace that of other less developed regions.
- There would be some limited progress toward economic integration, and political cooperation on Cambodia would be maintained.

The judgments have held up well over time. However, new conditions are arising that warrant another look at ASEAN. Some of the key changes are:

- Economic and social pressures and prospective changes in leadership may create new challenges to stability.
- Increased Soviet and Vietnamese diplomatic activism are raising new challenges to political unity.
- Events in the Philippines have raised questions about the continuing presence of US military power and attendant implications for regional security.
- The declaration of a nuclear-free zone in the South Pacific has spurred a similar tendency in some ASEAN states.

This Assessment addresses the key challenges to US interests stemming from prospective changes in ASEAN over the next three to five years. It is being prepared on the eve of the Secretary of State's visit to Southeast Asia in June 1987 to provide him with the Community's assessment of the future development of this regional organization. Other Community products discuss individual ASEAN member countries, and this Assessment is limited to the factors affecting ASEAN as an entity and a vehicle for further regional cooperation.

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KEY JUDGMENTS

Over the next three to five years, we believe ASEAN will continue to serve US strategic interests because of many parallel security concerns. Specifically, ASEAN will continue to:

- Support the American military presence in the region, particularly US facilities in the Philippines, which is seen as constituting an important counterweight to Soviet activities in Southeast Asia.
- Cooperate in seeking regional stability and opposing external threats against member states.
- Encourage member states' identification with the West.

The most likely challenges to ASEAN and to US interests during the period of this assessment will be economic. Although economic growth in ASEAN is still likely to outpace that of most other regions, we believe it will be slower than in the last decade, placing greater emphasis on growth-oriented economic policies. Competition among the ASEAN countries is likely to increase as they scramble to boost exports of labor-intensive manufactures at the same time as they face rising protectionism in the West and a growing challenge from China for access to overseas markets. These factors are also likely to create increased competition for foreign investment. Whatever unity on economic questions ASEAN achieves will likely be in response to perceived Western protectionism.

Political cooperation will face other tests over the next few years. Although we believe ASEAN will preserve its fundamental unity on the key issues of the Cambodian question--Vietnamese withdrawal and Cambodian self-determination--through the end of the decade, movement toward a settlement could create new strains within the organization.

Domestic problems in member states could also cause ASEAN countries to become increasingly preoccupied with internal problems and correspondingly less attentive to ASEAN concerns, as has been the case in the Philippines. We do not believe Islam or Islamic activists will gain sufficient influence so as to disrupt ASEAN unity, but events such as Israeli President Herzog's November 1986 visit to Singapore could periodically create tensions and strains among ASEAN members.

Whatever the degree of political cooperation, there is not likely to be a substantial increase in military cooperation, especially in the absence of a fundamental change in the regional security equation. Although continued bilateral and possibly even limited multilateral military exchanges will occur, a host of political, technical, and cost constraints, as well as lingering suspicions among member states, will preclude movement toward a formal defense alliance. Given recent trends, there probably will be greater bilateral military cooperation with the United States in naval exercises and perhaps other areas, but Indonesia and Malaysia will remain sensitive to forging visible security ties with the United States.

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We are particularly concerned about the spread of antinuclear sentiment. The achievement of the South Pacific Nuclear-Free Zone has led some Indonesian and other ASEAN officials to push for a Southeast Asian Nuclear-Weapons-Free Zone (SEANWFZ). Most ASEAN leaders are unlikely to soon approve such a treaty. Nonetheless, supporters will continue to lobby for an ASEAN statement of intent and subsequent treaty approval, if and when circumstances permit. In spite of assurances that such efforts will not affect the right of passage or port calls for US naval vessels, a treaty could be very damaging, especially in terms of US base access in the Philippines.

We believe the Soviet Union has demonstrated an increased vitality and flexibility in its approach to Southeast Asia--actively combining economic, diplomatic, and military means to expand its influence in the region. We expect Moscow to continue this approach by:

- Maintaining its alliance with Vietnam and continuing to build up its forces at Cam Ranh.
- Intensifying its diplomatic activities through high-level visits and proposals for cooperation.
- Offering economic inducements such as development projects and trade deals to most ASEAN members (although Moscow is unlikely to provide major amounts of aid due to its own financial constraints).

Moscow's chief objective is to strengthen its own position in the region while trying to undermine US influence. For example, the Soviets will seek opportunities to persuade the Philippines to get rid of US bases, but will probably not be anxious to replace the United States as a major grantor of aid to Manila. Through these activities, Moscow could make some gains, but these will be limited because:

- ASEAN countries will remain fundamentally suspicious of Moscow's intentions.
- The United States, Japan, and the West will continue to be far more important to ASEAN than the Soviets as trading partners and as sources of investment and development assistance.
- Increased Soviet "smile diplomacy" and propaganda will take some time to overcome past ineptitude.

We believe ASEAN has sufficient staying power that the difficulties and tensions among the member states can be effectively managed, and ASEAN will retain an essentially cooperative relationship. The loosely structured nature of ASEAN itself allows member states sufficient flexibility that they can disagree strongly with each other and even occasionally act against the interest of fellow members without seriously jeopardizing the ASEAN cohesion.

Overall, we believe that US-ASEAN relations will be increasingly tested over the period of this assessment. ASEAN unity on key political questions, such as Cambodia, will most likely continue to benefit US interests, although this unity will be periodically complicated by differing attitudes of the

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member states. On issues such as antiprotectionist sentiment, ASEAN will preserve a united position, and US policies are likely to be further criticized.

Though much will depend on how questions of ASEAN unity and the concerns of its members are resolved, we are optimistic that the essentially cooperative relationship between the United States and ASEAN will be preserved over the next three to five years. Specifically,

- Disagreements over trade and other economic problems will not undermine cooperative action between ASEAN and the United States on Cambodia.
- ASEAN will continue an essentially moderate line in international forums, a course which will be supportive of US interests.
- ASEAN will be essentially helpful on US military interests.

Even more significantly, the United States will be able to continue to promote bilateral ties with most or all of the ASEAN members, though the United States may disagree with some of the collective ASEAN policies. US interests will face greater challenges, but there is no reason to believe that these challenges will be beyond the ability of the United States to manage.

Nevertheless, for the foreseeable future, the United States should expect that:

- The economic problems of ASEAN members--such as low commodities prices, protectionism in export markets, a burdensome foreign debt, and rising unemployment--will probably prompt them to make greater demands on the United States for access to markets.
- Some ASEAN countries may press for continued US material assistance to the non-Communist Cambodian resistance forces, and all of them will expect Washington's firm backing in any negotiations with the Vietnamese on the Cambodia issue.
- The USSR is likely to adopt a more activist posture in the region, which could complicate ASEAN's relations with the United States.
- ASEAN will count on the United States to be successful in sustaining Philippine democracy.

Beyond the period of this assessment, however, we cannot rule out the possibility that economic problems and political differences within ASEAN could become increasingly severe and adversely affect ASEAN unity and US interests.

Of particular concern would be:

- The prospect that trade and other economic frictions between the United States and ASEAN will become more serious, undermining political cooperation.

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- The possibility that nationalistic or nonaligned tendencies will make governments less amenable to consideration of US interests in the region.
- The prospect that democracy may fail in the Philippines, causing other ASEAN states to doubt US capabilities and resolve.

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DISCUSSION

Introduction

1. Since its formation in 1967, ASEAN has been strikingly successful in providing an umbrella where its members could grow economically and develop political self-confidence. Whereas the Bangkok Declaration of 1967 stressed economic and social cooperation, ASEAN's chief accomplishments, in fact, have been political. Besides providing a venue for the resolution or sublimation of troublesome territorial disputes, ASEAN has enhanced the international aura of member states. By acting in concert in the contemporary Indochina imbroglio, for example, ASEAN members have achieved a stature far beyond what might have been accomplished individually.

2. Trends in ASEAN have generally favored US interests. ASEAN has spearheaded international opposition to Vietnam's occupation of Cambodia and has helped limit the development of Soviet influence in the region. Moreover, the economic development policies of the individual states have enhanced economic ties between member states and the United States, Japan, and other Western countries.

ASEAN: Not an EEC

3. Unlike the European Economic Community (EC), ASEAN is not an effective economic bloc, and intraregional trade has not been a major contributor to the success of individual ASEAN economies. Instead, the rapid growth achieved by most of these countries over the last decade--among the highest in the world--is due primarily to high commodity prices in the early part of the decade and to domestic economic policies that have encouraged the dynamic growth of manufactured exports to Japan and the West. While the EC has exploited potential gains from intraregional trade--gains which are possible because of the complementary nature of its members' economies--the ASEAN LDCs (Thailand, Malaysia, the Philippines, and Indonesia) export many of the same items, and at comparable costs, limiting the benefits to economic cooperation. Moreover, intraregional development projects--such as the ASEAN soda ash project--also have floundered for lack of real economic benefits.

4. Economic cooperation within ASEAN is likely to remain limited. As the ASEAN LDCs scramble to boost overseas sales of labor-intensive manufactures such as textiles, garments, and electronic components, they are likely to face growing competition from other exporters at the same time as trade protectionism in the West continues to rise. Other factors such as lower economic growth rates may exacerbate this competition. Per capita annual income fell in Indonesia, Malaysia, and the Philippines in the mid-1980s because of rapid population growth. In the case of the Philippines, population growth was accompanied by actual economic contraction.

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5. The only area in which we see the potential for effective, if limited, economic cooperation among the ASEAN countries is in collective lobbying against protectionist measures by the West. However, we expect individual ASEAN countries to join such an effort only to complement their bilateral negotiations, which will remain their primary focus for resolving trade disputes.

Other Economic Players

6. Over the next five years we anticipate an increase in intra-ASEAN competition for Japanese aid and investment. ASEAN countries want aid from Japan for various development projects, but they are all opposed to Japanese economic domination and protectionism. Japan's trade surpluses and continuing resistance to imports of manufactured goods from the region are a recurring irritant. The ASEAN countries are likely to continue to cooperate in efforts to open up Japan's markets to their products. On most issues, however, the ASEAN countries will continue to interact with Japan principally on a bilateral basis. For their part Japanese firms will continue to view the region not only as a source of strategic raw materials--especially oil--but also as an attractive place in which to set up offshore manufacturing operations. [REDACTED]

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7. Several proposals have surfaced over the past two decades for an intergovernmental arrangement--a "Pacific Economic Community"--to deal with economic issues in the Western Pacific on a regional rather than a bilateral basis. Most ASEAN leaders believe, however, that such a formal structure would perpetuate existing economic asymmetries between ASEAN and the developed Pacific countries. For ASEAN, the point of any wider Pacific association is not mutuality and reciprocity, but a framework within which to negotiate economic concessions from the West. Although Indonesia has pushed for such an arrangement, its purpose has been to promote Indonesian foreign policy considerations extraneous to regional cooperation. Under such circumstances, there is little prospect that ASEAN will actually seek wider spheres of economic cooperation on a Pacific regional basis.

Political Cooperation

8. Since its formation, ASEAN's main areas of cooperation have been political. Since 1979, ASEAN has been the major force in opposing the Vietnamese occupation of Cambodia. ASEAN has led the struggle to establish and maintain the legitimacy of the resistance movement by keeping the Coalition Government of Democratic Kampuchea (CGDK) seated in the United Nations, and by annually sponsoring UN resolutions calling for the withdrawal of Vietnamese forces.^{1/} In spite of divergent approaches within ASEAN toward the Cambodia problem, the countries have remained politically unified in support of Thailand's firm response to Vietnam's occupation. Three of the ASEAN members--Thailand, Malaysia, and Singapore--have given covert military support to the non-Communist resistance forces of the CGDK.

^{1/} The coalition consists of the Khmer Rouge, the Khmer People's National Liberation Front headed by Son Sann, and Sihanouk's national army.

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ASEAN AND CAMBODIA: WAR AND DIPLOMACY

Since the Vietnamese invasion of Cambodia in December 1978, the ASEAN countries have tried a mixture of military pressure--via support for the non-Communist members of the Coalition Government of Democratic Kampuchea--and diplomacy in seeking a solution. Vietnam still has 135,000 to 145,000 troops in Cambodia, and CGDK forces have not made substantial gains. Vietnam, publicly confident that its puppet Heng Samrin regime in Phnom Penh can consolidate itself and take on the job of fighting the resistance, has promised to voluntarily withdraw all forces by 1990, and sooner if a diplomatic settlement can be reached.

ASEAN governments remain skeptical of Vietnam's promises. ASEAN members, however, hope that Vietnam's economic plight and diplomatic isolation on the Cambodia question might eventually compel Hanoi to accept a negotiated settlement.

In March 1986, ASEAN endorsed an eight-point peace proposal put forward by the CGDK. The key elements of the proposal include a two-stage withdrawal of Vietnamese troops from Cambodia and the formation of a four-party coalition government that would hold general elections under UN supervision. Vietnam has firmly rejected the eight-point proposal. Since that time, ASEAN has made no new proposals and has been content to allow the CGDK to take the diplomatic lead.

9. Over the next two to three years, ASEAN nations may face new difficulties in formulating a coordinated approach to the Vietnamese occupation of Cambodia during a potentially fluid diplomatic period, although essential unity on this issue will be maintained. ASEAN's ability to maintain a consensus on the best means of attaining a settlement will be influenced to a large extent by differences in threat perception. Indonesia, for example, believes that China poses a much greater potential threat to regional stability than does Vietnam. Consequently, Jakarta generally feels that ASEAN should seek ways to reduce confrontation with Vietnam so as to encourage Hanoi to eventually become a buffer between China and non-Communist Southeast Asia. Indonesia, Malaysia, and Singapore also are concerned over Thailand's tilt toward China, which they believe could further extend Beijing's influence in the area. While Bangkok shares the concern about China, it regards Vietnam as a more immediate security threat.

10. Support for the non-Communist resistance by ASEAN members will also be affected by the ability of the CGDK to remain united, to achieve some military successes in Cambodia, and to continue to retain international diplomatic legitimacy. There could be serious problems with all of these factors. The fragile unity of the CGDK always has been a

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problem, and its forces have not been able to significantly expand the insurgency in Cambodia, where most military activity can be attributed to the Khmer Rouge. ASEAN would be hard-pressed to avoid an erosion of the CGDK's international legitimacy should the Khmer Rouge be seen as the principal benefactor of military gains.

11. Besides differences over Cambodia, other political developments could complicate ASEAN's ability to reach consensus on regional issues. Domestic pressures in member states, for example, could cause ASEAN countries to become increasingly preoccupied with internal problems and correspondingly less attentive to ASEAN concerns, as has been the case in the Philippines.

12. ASEAN members are likely to continue to reject the transformation of ASEAN into a security alliance. A host of political, technical, and cost constraints, as well as lingering suspicions among members states, will pose continued obstacles to a close multilateral defense relationship among the member states. Nevertheless, efforts to enhance bilateral military cooperation will persist, and there may be some progress in achieving limited ASEAN-level security coordination.

13. Recognizing that such efforts alone will not provide adequate security, the ASEAN states will continue at least privately to support the US military presence in the region and existing American security ties to member states. Bilateral defense cooperation with the United States generally has increased over the past few years, including combined military exercises and a recent agreement to pre-position war materials in Thailand. Some leaders will want to still limit a visible US military role in their states in light of nonaligned sensitivities, but the strength of the Soviet and Vietnamese military presence, combined with their own weak defenses, will encourage the members to turn further to the United States and the West for assistance.

Transnational Forces: Islamic Fundamentalism and Antinuclear Sentiment

14. Because nearly all of the ASEAN countries are faced with longstanding social cleavages, there is some potential that transnational movements could gain influence and cause greater instability. Some Islamic countries, such as Iran and Libya, have encouraged students from Malaysia and Indonesia to come for training and indoctrination. ASEAN governments, by and large, have taken steps to control the threats to their stability posed by Islamic extremism. But a solution to the Moro problem on Mindanao continues to elude the Philippines, and events such as Israeli President Herzog's November 1986 visit to Singapore could periodically create tensions and strains among ASEAN members. We believe, however, that Islam or Islamic activists will not gain sufficient influence so as to disrupt ASEAN unity.

15. The spread of antinuclear sentiment is more worrisome. The achievement of the South Pacific Nuclear-Free Zone has led some Indonesian and other ASEAN officials to push for a Southeast Asian Nuclear-Weapons-Free Zone (SEANWFZ). Most ASEAN leaders are unlikely to approve a treaty soon. Nonetheless, supporters will continue to lobby for an ASEAN

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statement of intent and subsequent treaty approval, if and when circumstances permit. In spite of assurances that such efforts will not affect the right of passage or port calls for US naval vessels, they could be very damaging, especially in terms of US base access in the Philippines.

The Soviet Agenda

16. Since General Secretary Gorbachev's July 1986 Vladivostok speech, the Soviet Union has demonstrated an increased vitality and ostensible flexibility in its approach to Southeast Asia. Soviet objectives in the region, however, remain essentially unchanged. Among Moscow's chief goals are to:

- Undermine and discredit US influence and prestige where possible.
- Maintain its alliance with Vietnam and continue to build up its forces at Cam Ranh.
- Improve ties with non-Communist Southeast Asia without offending Vietnam over the Cambodia issue.
- Seek expanded economic cooperation with ASEAN members with whom Moscow runs a substantial trade deficit.

17. The Soviets have already escalated their diplomatic activity toward ASEAN by sending Foreign Minister Shevardnadze to the region in the spring of 1987, by proposing new initiatives to improve ties, and by improving the quality of their diplomatic representation. They are also showing new interest in regional problems by gaining observer status at sessions of the Asian Development Bank and the Pacific Economic Cooperation Council, by proposing to become a regular dialogue partner with ASEAN as an organization, and by pursuing bilateral economic agreements. For example, the Soviets are approaching the Philippines with new proposals for power plants, ship repair agreements, and other economic initiatives. However, the ASEAN states are likely to remain suspicious of Soviet overtures as long as Moscow continues to support Vietnam's occupation of Cambodia. Moscow's new "smile diplomacy" also may not be sufficient to overcome past blunders. Moreover, for the foreseeable future, whatever the Soviet economic proposals, ASEAN's economic interests are more likely to be secured by dealings with the West.

The Role of China

18. China's agenda calls for continued economic development and military modernization. Progress is likely to continue in these areas over the next few years despite difficulties in matters of political reform. Chinese-ASEAN relations could become increasingly contentious because:

- China's exports will increasingly compete with ASEAN member products, stimulating even greater ASEAN concern about market access.

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- China's strategy of pressure on Vietnam--by military activity along the border and by aid to the Communist resistance forces--will accord with Thailand's preferences but will continue to diverge with the political agenda of some other ASEAN countries. Consequently, a continued Chinese hardline position toward a settlement on Cambodia could further exacerbate existing differences within ASEAN.
- Perceptions of China's growing military power, continued contacts with the overseas Chinese communities in ASEAN countries, and continued "moral and spiritual" relations with insurgent Communist parties will tend to sustain historic suspicions about China's long-range intentions in the region.

19. Nonetheless, China will continue its efforts to improve ties with the ASEAN countries in order to offset Soviet and Vietnamese influence and to improve its trading position. These efforts could help to moderate suspicions about overall Chinese policies. Sino-ASEAN competition need not adversely affect US interests unless ASEAN nations perceive that the United States is unduly promoting Chinese military and economic modernization in a manner that threatens ASEAN's interests.

Implications for the United States

20. Over the next three to five years, we believe ASEAN will continue to serve US strategic interests because of many parallel security concerns. Specifically, ASEAN will continue to:

- Support the American military presence in the region, particularly US facilities in the Philippines, which is seen as constituting an important counterweight to Soviet activities in Southeast Asia.
- Cooperate in seeking regional stability and opposing external threats against member states.
- Encourage member states' identification with the West.

21. We believe ASEAN has sufficient staying power that the difficulties and tensions among the member states can be effectively managed and ASEAN will retain an essentially cooperative relationship. The loosely structured nature of ASEAN itself allows member states sufficient flexibility to disagree strongly with each other and even occasionally act against the interests of fellow members without seriously jeopardizing the ASEAN cohesion.

22. ASEAN unity on key political questions, such as Cambodia, will most likely continue to benefit US interests, although this unity will be periodically complicated by differing attitudes of the member states. On issues such as antiprotectionist sentiment, ASEAN will preserve a united position, and US policies are likely to be further criticized.

23. Though much will depend on how questions of ASEAN unity and the concerns of its members are resolved, we are optimistic that the essentially cooperative relationship between the United States and ASEAN will be preserved over the next three to five years. Specifically:

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- Disagreements over trade and other economic problems will not undermine cooperative action between ASEAN and the United States on Cambodia.
- ASEAN will continue an essentially moderate line in international forums, a course that will be helpful to US interests.
- ASEAN will be essentially helpful on US military interests.

24. Even more significantly, the United States will be able to continue to promote bilateral ties with most or all of the ASEAN members, though the United States may disagree with some of the collective ASEAN policies. US interests will face greater challenges, but there is no reason to believe that these challenges will be beyond the ability of the United States to manage.

25. Nevertheless, for the foreseeable future the United States should expect that:

- The economic problems of ASEAN members--such as low commodities prices, protectionism in export markets, a burdensome foreign debt, and rising unemployment--will probably prompt them to make greater demands on the United States for access to markets.
- Some ASEAN countries may press for continued US material assistance to the non-Communist Cambodian resistance forces, and all of them will expect Washington's firm backing in any negotiations with the Vietnamese on the Cambodia issue.
- The USSR is likely to adopt a more activist posture in the region, which could complicate ASEAN's relations with the United States.
- ASEAN will count on the United States to be successful in sustaining Philippine democracy.

26. Beyond the period of this assessment, however, we cannot rule out the possibility that economic problems and political differences among member states could become increasingly severe and adversely affect ASEAN unity and US interests.

27. Of particular concern would be:

- The prospect that trade and other economic frictions between the United States and ASEAN will become more serious, undermining political cooperation.
- The possibility that nationalistic or nonaligned tendencies will make governments less amenable to consideration of US interests in the region.
- The prospect that democracy may fail in the Philippines, causing other ASEAN states to doubt US capabilities and resolve.

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ANNEX 1
A CHRONOLOGY OF KEY DEVELOPMENTS IN ASEAN

August 1967 Bangkok	ASEAN formed with signing of Bangkok Declaration by Ministers Malik, Indonesia; Razak, Malaysia; Ramos, Philippines; Rajaratnam, Singapore; and Thanat Khoman, Thailand.
November 1971 Kuala Lumpur	Special ministerial meeting to sign the Kuala Lumpur Declaration calling for recognition of Southeast Asia as a Zone of Peace, Freedom, and Neutrality.
February 1976 Bali	Summit meeting to sign the Declaration of ASEAN Concord and the Treaty of Amity and Cooperation; permanent secretariat approved; discussion of large-scale industrial projects.
February 1977	Commemorative ministerial meeting, concluded Agreement on ASEAN Preferential Trading Arrangement; established emergency sharing schemes in energy and rice.
December 1978	Vietnamese invasion of Cambodia. ASEAN Foreign Ministers meet in January 1979 to deplore the Vietnamese attack and call for UN action to restore peace.
November 1979	UN General Assembly passes ASEAN resolution on Cambodia calling for international humanitarian relief, resettlement of displaced Khmer, withdrawal of all foreign forces from Cambodia, and Cambodian self-determination.
July 1981	UN International Conference on Kampuchea held in New York. Conference calls for Vietnamese withdrawal followed by free elections.
July 1982	With support from ASEAN members, the Coalition Government of Democratic Kampuchea (CGDK) is formed of resistance elements headed by Sihanouk (ANS), Son Sann (KPNLF), and Khieu Samphan (DK or Khmer Rouge).
March 1986	ASEAN leaders shelve draft blueprint for Cambodian settlement in favor of an eight-point peace proposal by the resistance CGDK.
December 1987 Manila	ASEAN summit will commemorate organization's 20th anniversary and consider future plans for economic and political cooperation.

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